

#### Members

Sen. Joseph Zakas, Chair  
Sen. Lindel Hume  
Sen. Larry Lutz  
Sen. Charles Meeks  
Sen. Frank Mrvan  
Sen. John Waterman  
Rep. Gary Cook, Vice-Chair  
Rep. Dennis Avery  
Rep. Jack Lutz  
Rep. Ed Mahern  
Rep. Richard Mangus  
Rep. Matt Whetstone

#### LSA Staff:

Chuck Mayfield, Fiscal Analyst for the Committee  
Robert Rudolph, Attorney for the Committee  
Susan Cullen, Attorney for the Committee

Authority: Legislative Council Resolution 00-1  
(Adopted May 25, 2000)



## INTERIM STUDY COMMITTEE ON STATE ADMINISTRATION ISSUES

*Legislative Services Agency*  
**200 West Washington Street, Suite 301**  
**Indianapolis, Indiana 46204-2789**  
**Tel: (317) 232-9855 Fax: (317) 232-2554**

### MEETING MINUTES<sup>1</sup>

**Meeting Date:** September 28, 2000  
**Meeting Time:** 10:30 A.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Senate Chambers  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 3

**Members Present:** Sen. Joseph Zakas, Chair; Sen. Lindel Hume; Sen. Frank Mrvan;  
Sen. Larry Lutz; Rep. Gary Cook, Vice-Chair; Rep. Dennis Avery;  
Rep. Ed Mahern; Rep. Jack Lutz; Rep. Richard Mangus; Rep. Matt  
Whetstone.

The Chair called the meeting to order and called on Chuck Mayfield to discuss materials distributed with the agenda.

### **Continuing Education for Occupations and Professions Regulated by the Professional Licensing Agency.**

Mr. Mayfield stated that the Professional Licensing Agency had provided several charts on the number of licenses issued and annual revenue received by the agency (Appendix A). The Committee had several questions about the chart, in particular, the column entitled "fee paid per licensee". Kim Tarnacki explained the column was intended to show revenue received during the fiscal year per licensee. The Committee decided that the column did not provide useful information since licenses are renewed for different periods of time. Some profession's licenses are all renewed the same year and other professions renew a portion of the licenses each year. A cosmetology license is issued for four years and approximately 25% of the licenses are up for renewal annually. Accountants have a three year license and all licenses are up for renewal the same year. The revenue generated by occupation will vary according to the renewal schedule.

Representative Avery asked if there was expenditure information by occupation. It has been

---

<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

said that the cosmetologists are paying most of the agency's operating costs. Ms. Tarnacki of the Professional Licensing Agency stated that the costs of administration are spread across all the occupations that the agency serves, so it is difficult to arrive at a cost per occupation. The agency has annually received more revenue than they have spent. The amount returned to the state general fund has historically been about \$500,000 annually.

Senator Mrvan asked if people were complaining about the dollar amount of the fees. Ms. Tarnacki stated that the fees are covering the costs and were reduced a couple of years ago.

Representative Lutz asked what a licensee spends per year on continuing education. Ms. Tarnacki stated that she has not looked at the applications of providers for courses so she was unsure how much is spent per year.

Representative Cook asked if there had been a request to increase or decrease the continuing education hourly requirements. It was stated that none of the people testifying in previous hearings had requested a change in the hourly requirements.

The Chair reminded the Committee to think about what they wanted included in the Committee's final report.

Representative Avery repeated his position that all boards should consider going to a uniform four year license to reduce or contain costs. He also stated that he thought there were two occupations that prohibited correspondence courses. He suggested that the committee should review and clarify statutes to allow distance learning for continuing education.

Representative Mangus stated the need for a senior license classification for funeral directors. It was suggested that such a license could allow an individual to do some limited work in the occupation without completing the required continuing education requirements. For example, a retired funeral director may not wish to do the continuing education requirement, but might wish to have some limited role in a funeral or a limited number of funerals.

## **Predatory Lending**

Mr. Mayfield explained the Chicago ordinance on predatory lending (Appendix B) and the Mortgage Bankers Association's legislative guidelines (Appendix C).

The Chair asked if someone from the Mortgage Bankers Association was present to discuss the guidelines. Tom Dinwiddie of the Indiana Mortgage Bankers Association was present. Mr. Dinwiddie stated that the term "predatory lending" is used to cover a variety of improper lending practices. The term includes improper conduct by people involved in the lending process and mortgage fraud. Indiana currently has several statutes that may cover predatory lending. The Chair requested Mr. Dinwiddie to prepare a memorandum reviewing state statutes that might apply to predatory lending.

The Chair next called on Gregory Thomas of the State Attorney General's Office to testify. Mr. Thomas stated that more coordination is needed between state agencies to better address predatory lending case issues. The Department of Financial Institutions, the Secretary of State, the Professional Licensing Agency, and the Attorney General could all be involved in a predatory lending case. Generally, the borrower has a complaint against the real estate agent, but several other parties may be involved. The Attorney General's office has filed 62 complaints against appraisers and about 40 against real estate agents. Most of the complaints are settled out of court.

Representative Mahern asked if the Attorney General's office has sufficient financial resources

for predatory lending investigations. Mr. Thomas stated that more lawyers might be needed. He currently has 16 lawyers for all of consumer protection.

Representative Avery asked if the Attorney General's Office was involved in the Evansville case. Mr. Thomas said he has talked to the Federal Bureau of Investigation, but little information was provided. The Attorney General's Office has complaints on file about the case complaints.

The Chair next called on Steve Johnson of the Prosecuting Attorney's Council to testify. Mr. Johnson had reviewed the newspaper articles. The state has several statutes dealing with fraud. He was unsure of specific statutes that might apply to appraisers involved in predatory lending protection. Mr. Johnson stated predatory lending is a white collar crime and would be difficult to investigate. He would probably use a grand jury to investigate. Mr. Johnson stated that the practices generally referred to as "predatory lending" might violate Indiana's criminal forgery, theft, deception, or defrauding a financial institution statutes, but they might prove to be difficult to enforce.

The Chair next called on Louie Mahern, Executive Director of the Consumer Finance Association. Mr. Mahern said the term should be "predatory borrowing". People attending real estate seminars are sometimes enticed to purchase property that has been over appraised from the presenters. Mr. Mahern described the lender as the loser when the property is over appraised. The lender makes a loan based on the appraisal that is greater than the actual value of the property. If the borrower defaults on the loan, the lender is left with insufficient collateral to cover the cost of the loan.

The Chair asked if the main problem is with appraisers over appraising. Mr. Mahern responded yes.

The Chair next called on Fred Garver of the Indiana Association of Mortgage Brokers. Mr. Garver introduced Charles McClain to testify. Mr. McClain stated that he did not know what predatory lending is due to the lack of a definition of the term. The United States Senate has a bill outlawing predatory lending, but the committee chair is holding the bill because the term is not defined in the bill. The Mortgage Brokers Association has organized a group to study the topic. Indiana currently provides a great deal of regulation and has severe penalties in statute.

Representative Avery stated that there appears to be a lack of coordination among the agencies involved. A group needs to be established with sufficient resources to address the problem. The Attorney General's office might be the appropriate focal point to address the issues of predatory lending practices.

### **State Hiring Practices, Salary Structures, and Other Employment Practices of State Agencies.**

The Chair called on Sue Roberson, Director of the State Department of Personnel. Ms. Roberson discussed several charts (Appendix D) prepared by the Department of Personnel. The state has approximately 35,464 full-time active employees. Ms. Roberson discussed several significant challenges for her department. Approximately 34% of current employees are eligible to retire within five years, and, while turnover is low, the state has experienced problems filling certain positions. The department has eliminated some job classifications and worked at equating the state's job classification to the Department of Workforce Development job classifications in order to do better market salary studies.

The Chair asked how many positions the state needs to fill. Ms. Roberson responded that there

are 235 open positions in the state job bank. Most of the positions are in correctional facilities or state hospitals.

Representative Mangus asked Ms. Roberson the difference in an agency's personnel department and her agency. Ms. Roberson responded that her agency looks at the big picture and policies for the state. Representative Mangus also asked about overtime. The normal work week is 37.5 hours; overtime pay is paid at time and a half for hours worked over 40 hours. The time between 37.5 and 40 hours is paid at straight time. This policy is consistent with state and federal law. He next asked about alternative work scheduling. Was it possible for supervisory personnel to work their 37.5 hours in four days, leaving no supervisors one day a week? She responded that the alternative work schedule is allowable, but the schedule must to be approved by her agency and adequate supervision of all state programs is required.

At Representative Mangus' request, Ms. Roberson explained the concept of cash bonuses for employees over the maximum salary for a job classification. A person paid at the maximum salary for their job classification, receives a 2% cash bonus on the anniversary date of employment. The cash bonus is not built into the salary base. Representative Mangus next asked about the use of accumulated sick and vacation leave upon termination. Ms. Roberson explained that the state currently pays for 30 days of accumulated vacation at termination. Ms. Roberson said her agency has looked at the possible uses of the accumulated time in excess of 30 days.

The Chair next called on David Larson of the Indiana State Employees Association to testify. Mr. Larson stated that the maximum salaries on the salary schedule should be increased. The state's recent pay plans have helped increase the wages for people at the bottom of the salary schedule, but have not provided increases for the people at the top of the salary schedule. Certain classification range maximums need to change to encourage people to stay. Mr. Larson said the state has provided decent salary adjustments in the last few years, but there were a couple of years in the early 1990s that no adjustments were given and state salaries are still behind. Overtime is an issue for his association. The use of accumulated leave is inconsistent among agencies. One agency may allow an employee to use accumulated leave over a six month period prior to retirement, perhaps working one day every two weeks, while another may disallow the time off.

The Chair next called on Bob Brown of the American Federation of State and Municipal Employees. Mr. Brown agreed with Mr. Larson, but thought the topic should be discussed at the bargaining table.

The Chair next called on Al Marshal of the State Board of Accounts Employee Association. The concern of Mr. Marshal's association is that auditors in another state agency receive a 30% recruitment differential that the Board of Accounts auditors do not receive. He stated that he thought the work performed was about the same.

The Chair adjourned the meeting at about 1:45 P.M.